

Agenda Item	5.b
Report No	RES/02/26

THE HIGHLAND COUNCIL

Committee: Corporate Resources Committee

Date: 19th March 2026

Report Title: Corporate Capital Monitoring report for Quarter 3 2025/26

Report By: Chief Officer – Corporate Finance

1. Purpose/Executive Summary

- 1.1 This report provides Members with the corporate capital monitoring statement for the third quarter of the 2025/26 financial year, covering the period to the 30th of November 2025, which presents a summary of the actual spend together with a forecast 2025/26 year-end outturn position.
- 1.2 Net spend on capital projects to the end of Q3 2025/26 totalled £87.279m for the Highland Investment Plan (HIP) against a net annual budget figure of £163.465m. Net spend on capital projects for the Housing Revenue Account (HRA) totalled £28.881m against a net annual budget figure of £66.333m.
- 1.3 The forecast net outturn for the HIP for 2025/26 totals £137.384m and this would give rise to a forecast net underspend against budget of £26.081m. The forecast net outturn for the HRA for 2025/26 totals £51.906m and this would give rise to a forecast net underspend against budget of £14.427m.
- 1.4 The report also highlights how the planned capital expenditure for 2025/26 will be funded, with borrowing being a major source across both the HIP and HRA.

2. Recommendations

- 2.1 Members are asked to:
 - i. **Scrutinise and consider** the net spend for Q3 2025/26, the forecast year end outturn and the funding profile.

3. Implications

- 3.1 **Resource:** The Capital Monitoring reports, and the financial information contained therein, represent detailed information relating to the Council's financial activity. The reports present the current and forecast financial positions with no specific resource implications arising. Detailed reporting on the outturn figures and specific projects is considered through the relevant Strategic Committees as is normal practice.

- 3.2 **Legal:** The contents of this report aim to satisfy the requirement of Sections 6 and 7 of the CIPFA Financial Management Code - 'Monitoring financial performance' and 'External financial reporting'.
- 3.3 **Risk:** Risk implications to the budget position, and budget assumptions, will be kept under regular review and any project-specific risks identified will be reported to future Strategic Committees. The future capacity of the Highland Investment Plan and HRA Capital Programme as a whole is subject to variations in construction industry inflation and changes in interest rates.
- 3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people):** An important aspect of continued capital investment relates to managing health and safety risk. The requirement to safely maintain and enhance Council assets, is essential to the delivery of frontline services, and remains an increasing challenge to the Council as a number of assets reach the end of their useful economic life.
- 3.5 **Gaelic:** There are no specific Gaelic implications arising as a direct result of this report.

4. Impacts

- 4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.
- 4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.
- 4.3 This is a monitoring and update report and therefore an impact assessment is not required.

6. General Fund Capital Monitoring Q3 2025/26

- 6.1 **Appendix 1** shows the Highland Investment Plan, spend and income for Q3 (the period to the 30th of November 2025) of financial year 2025/26, along with the forecast outturn position to the end of the financial year. The actual figures provided reflect the net project expenditure, i.e. project costs incurred less project-specific income received. The net budget for 2025/26 is £163.465m. The forecast net expenditure is £137.384m resulting in a forecast underspend of £26.081m.

However, when the forecast overspend of £11.295m for the Uig Harbour redevelopment (discussions are ongoing with Transport Scotland regarding the funding of this overspend and a further update will be provided in due course) is excluded the overall forecast position is an underspend of £37.376m. The forecast outturn is subject to change throughout the financial year and pending future decisions taken as part of the Highland Investment Plan programme.

Project level variances are reported to the relevant strategic committees, however significant variances (+ or - £500k) have been summarised in **Appendix 5** for information.

- 6.2 Overall, there has been a net expenditure of £87.279m to Q3, which reflects 53% of the annual budget.
- 6.3 **Appendix 2** presents how the forecast Highland Investment Plan net capital expenditure for 2025/26 will be funded. Borrowing continues to be the largest source of funding with £98.753m forecast, amounting to 72% of forecast net capital expenditure. The General Capital Grant is expected to be £32.365m. The approved Highland Investment Plan includes some projects that are either wholly or partly self-funded, meaning that the borrowing costs associated with the capital expenditure will be repaid either from income generation or savings within the service revenue budget. It is forecast that £5.582m of capital expenditure in 2025/26 will be self-funded in this way.
- 6.4 Individual project spend forms the basis of the capital reports to Strategic Committees and links to those papers are provided below within the Background Papers section.
- 6.5 Members will recall that the May 2025 HIP report to Council and the October 2025 HIP report to Council highlighted a number of known or estimated project cost pressures and risks, reflecting both inflationary/contract cost pressure increases, and new or increased needs. The Council agreed that “officers progress actions to ensure the programme is managed within the overall funding envelope” as described within Section 7 of that report.

Officer review and work is ongoing in this regard and taking place in an environment when there remain ongoing and additional pressures emerging. Officers are considering a range of mechanisms to manage cost pressures including; review of external/project funding opportunities and assumptions, review of project and budget profiles including any uncommitted sums, and consideration of over-programming as a short-term mechanism to manage the Plan. Given the level of slippage shown in 2025/26, it is evident that the pressures identified are able to be managed on a temporary basis within the cashflow for 2025/26. There will however be a significant impact from these pressures into 2026/27 and subsequent years, with this requiring mitigating actions to address. Once the Officer review work is concluded, this will be reflected in appropriate reports to Members.

Section 5.2 of the October HIP report highlighted that there is also budget capacity within ‘HIP other project priorities’ which may need to be considered to absorb some of these cost pressures. To aid ongoing management of the Plan and given there may be further new or emerging needs and proposals that may arise, it will be important the Council maintains some flexibility and capacity within its Plan going forward.

8. HRA Capital Monitoring Q3 2025/26

- 8.1 **Appendix 3** presents the net outturn figures for the HRA Capital Programme to the end of Q3 (the period to the 30th of November 2025) 2025/26, along with the forecast net outturn to the end of the financial year. It reports a net expenditure figure of £28.881m which reflects 44% of the annual budget of £66.333m. The forecast annual net outturn to the end of 2025/26 is £51.906m which reflects 78% of the annual budget and which therefore indicates a projected underspend of £14.427m against budget.

8.2 Mainstream HRA Capital Programme

On the mainstream programme for investment in existing housing stock, the estimated outturn is £21.064 against the budget of £28.084m.

As reported to the H&P Committee the variance figure of £7.020m is cumulative over the 5-year programme. This includes contingency costs and reflects the additional external funding achieved for energy efficiency works.

8.3 New Council House Build Programme

On the new council house build programme, the estimated outturn is £30.842m against the budget of £38.249m.

As reported to H&P committee the variance figure of £7.407m is due to delays which required projects to be reprofiled, due to a combination of planning matters and revisions to project costs.

8.4 **Appendix 4** presents how the forecast HRA net capital expenditure for 2025/26 will be funded. Borrowing continues to be the largest source of funding with £34.313m forecast, amounting to 52% of forecast net capital expenditure. The other major sources of funding include the Scottish Government Grant of £13.179m, Council's Landbank Fund of £3.066m, and capital funded from current revenue of £1.348m.

Designation: Chief Officer – Corporate Finance

Date: 26 February 2026

Authors:

Brian Porter - Chief Officer – Corporate Finance

Alistair Dempsey-Reid – Principal Accountant

Background Papers:

- *Communities & Place Committee, Capital Budget Monitoring Report*
<https://www.highland.gov.uk/download/meetings/id/86320/6.%2520Capital%2520Monitoring%2520Report%2520for%2520the%2520period%2520Q3%2520202526>
- *Economy & Infrastructure Committee, General Fund Capital Monitoring:*
<https://www.highland.gov.uk/download/meetings/id/86414/Item%25206.%2520Capital%2520Monitoring%2520Report%2520Q3%2520202526>
- *Housing & Property Committee, Property Capital Monitoring Statement and Progress Update Report:*
<https://www.highland.gov.uk/download/meetings/id/86282/Item%25208%2520Property%2520Capital%2520Monitoring%2520Statement%2520and%2520Progress%2520Update>
- *Housing & Property Committee, Housing Revenue Account (HRA) Capital Monitoring:*
<https://www.highland.gov.uk/download/meetings/id/86280/Item%25206%2520HRA%2520Capital%2520Monitoring>
- *Highland Council (May 2025), Highland Investment Plan Update:*

<https://www.highland.gov.uk/download/meetings/id/84951/Item%25204.%2520Highland%2520Investment%2520Plan>

- *Highland Council (October 2025), Highland Investment Plan Update:*
<https://www.highland.gov.uk/download/meetings/id/85789/Item%25205.%2520Highland%2520Investment%2520Plan%2520%25E2%2580%2593%2520Progress%2520Update>

Appendices: Appendix 1: Capital Expenditure Monitoring GF Q3 2025/26
Appendix 2: Capital Expenditure Funding GF Q3 2025/26
Appendix 3: Capital Expenditure Monitoring HRA Q3 2025/26
Appendix 4: Capital Expenditure Funding HRA Q3 2025/26
Appendix 5: Major Projects Q3 2025/26 Summary

MONITORING OF CAPITAL EXPENDITURE - 1ST APRIL 2025 TO 30TH OF NOVEMBER 2025 (Q3 2025/26)

SERVICE: GENERAL FUND

Project Description	BUDGET	ACTUAL			FORECASTS			VARIANCE		
	2025/26 Capital Budget	2025/26 Actual Expenditure	2025/26 Actual Income	2025/26 Actual Net Year to Date	2025/26 Forecast Expenditure	2025/26 Forecast Income	2025/26 Forecast Outturn	2025/26 Variance F'cast v Budget	2025/26 Reprofile to Next Financial Year	2025/26 Overspend / (Underspend)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
LEARNING ESTATE	66,091	41,160	(835)	40,325	56,633	(750)	55,883	(10,208)	(10,208)	0
PROPERTY STRATEGIC ASSET MANAGEMENT	5,472	7,207	(806)	6,401	13,357	(1,595)	11,762	6,290	6,290	0
HEALTH & SOCIAL CARE PROGRAMME	1,212	1,097	(807)	290	2,540	(1,607)	933	(279)	(279)	0
COMMUNITY AND LEISURE FACILITIES	710	103	1	104	300	0	300	(410)	(410)	0
ROADS AND BRIDGES	31,479	22,424	(2,067)	20,357	34,780	(3,814)	30,966	(513)	(513)	0
ACTIVE TRAVEL & TRANSPORT	3,947	2,589	(122)	2,467	8,342	(4,594)	3,748	(199)	(199)	0
PARKING	792	229	(90)	139	548	(90)	458	(334)	(334)	0
LIGHTING & COMMUNICATIONS	438	999	0	999	1,169	(583)	586	148	148	0
FLOOD PROTECTION	2,261	579	0	579	1,728	0	1,728	(533)	(533)	0
HARBOURS & FERRIES	(556)	2,438	2,625	5,063	8,506	(5,426)	3,080	3,636	3,636	0
VISITOR MANAGEMENT	0	45	(50)	(5)	175	(162)	13	13	13	0
WASTE MANAGEMENT	4,652	3,903	0	3,903	4,816	(1,090)	3,726	(926)	(926)	0
BEREAVEMENT SERVICES	3,553	1,785	0	1,785	3,051	0	3,051	(502)	(502)	0
PLAY PARKS AND COMMUNITY SPACES	2,295	739	(194)	545	1,307	(187)	1,120	(1,175)	(1,175)	0
PUBLIC CONVENIENCES	100	1	0	1	1	0	1	(99)	0	(99)
ICT	4,564	2,008	(794)	1,214	5,278	(1,360)	3,918	(646)	(646)	0
VEHICLES & PLANT	3,238	1,505	(288)	1,217	3,538	(300)	3,238	0	0	0
PLANNING & DEVELOPMENT	4,580	13,947	(12,879)	1,068	31,557	(26,948)	4,609	29	178	(149)
ENERGY EFFICIENCY	0	25	0	25	2,232	(2,337)	(105)	(105)	(105)	0
NON-HRA HOUSING	3,307	2,965	(2,192)	773	5,061	(2,192)	2,869	(438)	(438)	0
HIGHLAND INVESTMENT PLAN PROJECTS	25,330	29	0	29	5,500	0	5,500	(19,830)	(19,830)	0
OVERALL TOTAL	163,465	105,777	(18,498)	87,279	190,419	(53,035)	137,384	(26,081)	(25,833)	(248)

11,295 Uig - forecast overspend position

(37,376) Less Uig from total

FUNDING OF CAPITAL EXPENDITURE - 1ST APRIL 2025 TO 30TH NOVEMBER 2025 (Q3 2025/26)

SERVICE: GENERAL FUND

	2025/26 Capital Budget	2025/26 Actual Net Year to Date	2025/26 Forecast Outturn	2025/26 Variance F'cast Outturn v Budget	2025/26 Reprofile to Next Financial Year	2025/26 Overspend / (Underspend)
	£000	£000	£000	£000	£000	£000
Funding						
General Capital Grant	32,365	17,151	32,365	0	0	0
Capital Receipts	500	684	684	0	0	0
Self Funded Projects*	4,322	5,889	5,582	1,260	1,260	0
Borrowing	126,279	63,555	98,753	(27,342)	(27,093)	(248)
TOTAL FUNDING	163,466	87,279	137,384	(26,082)	(25,833)	(248)

*To reflect project budgets that are either wholly or partly self-funded (ie from income generated or savings).

Note 1

General capital grant amount confirmed as at 23 January 2026.

Note 2

The £248k of underspend on borrowing relates to completed projects where the budget will not be carried forward.

MONITORING OF CAPITAL EXPENDITURE - 1ST APRIL 2025 TO 30TH NOVEMBER 2025

SERVICE: HOUSING REVENUE ACCOUNT

Project Description	Revised Net Budget	Actual Net Year to Date	Year End Estimated Net Outturn	Year End Net Variance	(Reprofiling)/ Acceleration Net
	£000	£000	£000	£000	£000
HRA Capital Programme					
Equipment and Adaptations	1,124	621	827	(297)	(297)
Major Component Replacement	2,667	1,897	2,613	(54)	(54)
Heating/Energy Efficiency	15,662	7,737	13,005	(2,657)	(2,657)
External Fabric (Major Component Replacement)	491	412	523	32	32
External Fabric (Environmental Improvements)	2,251	423	1,026	(1,225)	(1,225)
Healthy, Safe and Secure	4,695	1,164	3,070	(1,625)	(1,625)
Contingencies/Retentions	1,194	15	0	(1,194)	(1,194)
Total 2025/26 Programme	28,084	12,269	21,064	(7,020)	(7,020)
Council House Building Capital Programme					
New Council House Buildings	34,949	14,315	27,542	(7,407)	(7,407)
Individual House Purchases	3,300	2,297	3,300	0	0
Total Council Building Programme	38,249	16,612	30,842	(7,407)	(7,407)
OVERALL TOTAL	66,333	28,881	51,906	(14,427)	(14,427)

MONITORING OF CAPITAL EXPENDITURE - 1ST APRIL 2025 TO 30TH NOVEMBER 2025

SERVICE: HOUSING REVENUE ACCOUNT

Funding	Revised Net Budget	Actual Net Year to Date	Year End Estimated Net Outturn	Year End Net Variance
	£000	£000	£000	£000
Investment Programme				
Useable Capital Receipts				
RHI Income				
Government Grant	13,179	6,500	13,179	0
Landbank	2,084	3,066	3,066	982
Evergreen Infrastructure Loan Fund				
Capital from Current Revenue	1,348	0	1,348	0
Borrowing	49,722	19,316	34,313	(15,409)
GROSS FUNDING	66,333	28,882	51,906	(14,427)

The below is a summary of major project lines with forecast variances >£500k for 25/26.

Project	Committee	Forecast over/under spend 25/26	Comments reported to relevant committees
Tain 3-18 Campus	P&H	(1,800)	The new building will be operational in 2026 to ensure that this high-quality building is completed to the required standard.
Nairn Academy	P&H	5,305	Work progressing on site and new building programmed to be operational from August 2026.
Broadford Primary	P&H	(15,697)	Preferred contractor appointed following the completion of Stage 1 tendering process.
School Estate Improvement Programme	P&H	2,500	Various essential works and cost pressures as reported to Council in May 2025.
Property Estate Improvement Programme	P&H	5,018	Various essential works and cost pressures as reported to Council in May 2025. CRF funding towards Hector Macdonald Monument (£175K) and insurance income for the storm damaged nursery unit at Duncan Forbes PS (£270K). Further work is addressing essential structural fabric, wind and waterproof works. Funding to be confirmed for additional security works - current estimate £215k.
Residential Properties	P&H	(608)	Design of staff housing in Rum ongoing for delivery in 2026.
HIP Phase 1 - Main projects	P&H	(6,450)	HubNorth are preparing revised programmes and budgets for all 6 projects which will be reported in due course.
HIP Phase 1 - Dunvegan	P&H	(3,250)	Currently at tender stage.
HIP Phase 1 - Programme Contingency	P&H	(1,000)	Underspend forecast at present pending project progression.
HIP Phase 1 - Other Priority Projects	P&H	(9,130)	Design work underway on initial priority projects as approved in October 2025.
Landfill Restoration Programme	C&P	(517)	Capping works have taken place this year. Estimated spend remains below budget. Restoration and compliance works will continue into future years.
Play Areas	C&P	(1,175)	Expected to spend to budget. Aiming to commit all outstanding funds by end of financial year and final spend will roll over into 26/27.
ICT Core Equipment	CR	(646)	Contract now in place for a refresh of the local network therefore some significant expenditure in the current year is forecast. Any underspend in the current year will meet costs in 26/27 as the project spans 2 financial years.
Roads General Infrastructure Improvements	I&E	(580)	This is the area roads capital budget principally used for structural improvements and surface dressing. Progress against some lines will be weather dependent, particularly over the winter months. Further contracts for the renewal of various assets are being compiled. Circa £190k of underspend intended to be utilised for the purchase of a gully emptier in 26/27. £90k of VRS allocated but construction not expected to start until 26/27. Any balance not spent this financial year will roll over and apply against contracts and commitments through 26/27.
Strategic Timber Transport Scheme (STTS)	I&E	(525)	Includes costs for the Project Officer of c£30k, with some grant funding from STTF and partners of c£28k. Also costs for Howford Bridge. Any underspend that does exist will be utilised for other Area roads capital work such as Divach landslide repairs.
Major Bridges General	I&E	(1,823)	Forecast spend for B861 Ness Bridge. Further £116k to go to Strathcarron Bridge, Old White Bridge and Invercoe Bridge works.
Naver Bridge	I&E	2,480	Work to replace aged single track bridge carrying A836 over River Naver in Sutherland. Work has commenced and anticipating new bridge completion Winter 2026 with the demolition of the old bridge by Summer 2026. The project outturn is expected to be £15.37m after taking account of continued site supervision and compensation events. The funding of this additional cost will be raised with the Capital Programme Board. New bridge open to traffic under traffic control February 2026, completion Autumn 2026. Demolition of old bridge Feb/ March 2026
Coastal Change Management	I&E	(501)	Significant proportion to be carried forward to future years to account for ongoing contracts on Case Study projects as well as reprofiling funding to spread out over a few years.
Lochinver Harbour	I&E	(2,492)	Design for phase 1 is complete. Enabling works contract due to go for tender Winter 2025. Start on site February 2026.

Portree Harbour	I&E	980	Design for phase 1 is complete. Enabling works contract due to go for tender Winter 2025. Start on site February 2026.
Uig Ferry Terminal and Link Span	I&E	11,295	The project in total expects a c£12M-£13m overrun based on latest outturn forecasts. This is primarily due to the split outage and talks remain ongoing with Transport Scotland regarding additional funding. The capital borrowing incurred by THC is expected to be repaid from the future income stream.
Corran Ferry Shoreside Infrastructure	I&E	(6,183)	Works contract awarded for £26.1M December 2025. Works start on site February 2026.
Inverness Castle Redevelopment	I&E	1,260	Project now complete. Additional external funding plus future revenue streams will cover additional costs. Retention payment due next financial year.
Nature Restoration Fund	I&E	(516)	Expect underspend to carry forward but this is committed against Nature Network Officer, Woodland management plans, Biological recording centre business plan, Ardersier Common nature reserve, Amenity services grassland improvement for nature, Gull management plan, Easy tree IT system, Muir of Ord hydrological assessment and wiser community grant scheme.